



General Assembly

Amendment

December Special Session, 2015

LCO No. 9869



Offered by:

SEN. FASANO, 34th Dist.
SEN. BOUCHER, 26th Dist.
SEN. CHAPIN, 30th Dist.
SEN. FORMICA, 20th Dist.
SEN. FRANTZ, 36th Dist.
SEN. GUGLIELMO, 35th Dist.
SEN. HWANG, 28th Dist.
SEN. KANE, 32nd Dist.

SEN. KELLY, 21st Dist.
SEN. KISSEL, 7th Dist.
SEN. LINARES, 33rd Dist.
SEN. MARKLEY, 16th Dist.
SEN. MARTIN, 31st Dist.
SEN. MCLACHLAN, 24th Dist.
SEN. WITKOS, 8th Dist.

To: Senate Bill No. 1601

File No.

Cal. No.

**"AN ACT MAKING CERTAIN STRUCTURAL CHANGES TO THE
STATE BUDGET AND ADJUSTMENTS TO THE STATE BUDGET
FOR THE BIENNIUM ENDING JUNE 30, 2017."**

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. Section 12-711 of the general statutes is repealed and the
4 following is substituted in lieu thereof (*Effective from passage and*
5 *applicable to taxable years commencing on or after January 1, 2016*):

6 (a) The income of a nonresident natural person derived from or
7 connected with sources within this state shall be the sum of the net
8 amount of items of income, gain, loss and deduction entering into his

9 or her Connecticut adjusted gross income for the taxable year, derived
10 from or connected with sources within this state, including: (1) His or
11 her distributive share of partnership income, gain, loss and deduction,
12 determined under section 12-712; (2) his or her pro rata share of S
13 corporation income, gain, loss and deduction, determined under
14 section 12-712; (3) his or her share of estate or trust income, gain, loss
15 and deduction, determined under section 12-714; and (4) his or her
16 compensation from nonqualified deferred compensation plans
17 attributable to services performed within [the] this state, including, but
18 not limited to, compensation required to be included in federal gross
19 income under Section 457A of the Internal Revenue Code.

20 (b) (1) Items of income, gain, loss and deduction derived from or
21 connected with sources within this state shall be those items
22 attributable to: (A) The ownership or disposition of any interest in real
23 property in this state or tangible personal property in this state, as
24 determined pursuant to subdivision [(5)] (6) of this subsection; (B) a
25 business, trade, profession or occupation carried on in this state; (C) in
26 the case of a shareholder of an S corporation, the ownership of shares
27 issued by such corporation, to the extent determined under section 12-
28 712; or (D) winnings from a wager placed in a lottery conducted by the
29 Connecticut Lottery Corporation, if the proceeds from such wager are
30 required, under the Internal Revenue Code or regulations adopted
31 thereunder, to be reported by the Connecticut Lottery Corporation to
32 the Internal Revenue Service.

33 (2) (A) Before, on and after the effective date of this section, income
34 from a business, trade, profession or occupation carried on in this state
35 includes, but is not limited to, compensation paid to a nonresident
36 natural person for rendering personal services as an employee in this
37 state. For taxable years commencing on or after January 1, 2016,
38 compensation for personal services rendered in this state by such
39 nonresident employee who is present in this state for not more than
40 fifteen days during a taxable year shall not constitute income derived
41 from sources within this state. If a nonresident employee is present in

42 this state for more than fifteen days during a taxable year, all
43 compensation the employee receives for the rendering of all personal
44 services in this state during the taxable year shall constitute income
45 derived from sources within this state during the taxable year.

46 (B) For purposes of determining whether a nonresident employee is
47 "present in this state" under subparagraph (A) of this subdivision,
48 presence in this state for any part of a day constitutes being present in
49 this state for that entire day unless such presence is solely for the
50 purpose of transit through this state. The provisions of this
51 subparagraph shall not apply to subsection (c) of this section or to any
52 other provision of law unless expressly provided.

53 (C) The provisions of this subdivision shall not apply to sources of
54 income from a business, trade, profession, or occupation carried on in
55 this state other than compensation for personal services rendered by a
56 nonresident employee, and shall not apply to sources of income
57 derived by an athlete, entertainer or performing artist, including, but
58 not limited to, a member of an athletic team.

59 [(2)] (3) Income from intangible personal property, including
60 annuities, dividends, interest and gains from the disposition of
61 intangible personal property, shall constitute income derived from
62 sources within this state only to the extent that such income is from (A)
63 property employed in a business, trade, profession or occupation
64 carried on in this state, or (B) winnings from a wager placed in a
65 lottery conducted by the Connecticut Lottery Corporation, if the
66 proceeds from such wager are required, under the Internal Revenue
67 Code or regulations adopted thereunder, to be reported by the
68 Connecticut Lottery Corporation to the Internal Revenue Service.

69 [(3)] (4) Deductions with respect to capital losses and net operating
70 losses shall be based solely on income, gain, loss and deduction
71 derived from or connected with sources within this state, under
72 regulations adopted by the commissioner, but otherwise shall be
73 determined in the same manner as the corresponding federal

74 deductions.

75 [(4)] (5) Income directly or indirectly derived by an athlete,
76 entertainer or performing artist, including, but not limited to, a
77 member of an athletic team, from closed-circuit and cable television
78 transmissions of an event, other than events occurring on a regularly
79 scheduled basis, taking place within this state as a result of the
80 rendition of services by such athlete, entertainer or performing artist
81 shall constitute income derived from or connected with sources within
82 this state only to the extent that such transmissions were received or
83 exhibited within this state.

84 [(5)] (6) For purposes of subparagraph (A) of subdivision (1) of this
85 subsection, "real property in this state" includes an interest in an entity,
86 and "entity" means a partnership, limited liability company or S
87 corporation that owns real property that is located within this state
88 and has a fair market value that equals or exceeds fifty per cent of all
89 the assets of the entity on the date of sale or disposition by a
90 nonresident natural person of such person's interest in the entity. Only
91 those assets that the entity owned for at least two years prior to the
92 date of the sale or disposition of the person's interest in the entity shall
93 be used in determining the fair market value of all the assets of the
94 entity on the date of such sale or disposition. The gain or loss derived
95 from Connecticut sources from such person's sale or disposition of an
96 interest in such entity is the total gain or loss for federal income tax
97 purposes from such sale or disposition multiplied by a fraction, the
98 numerator of which is the fair market value of all real property located
99 in this state owned by the entity on the date of such sale or disposition,
100 and the denominator of which is the fair market value of all the assets
101 of the entity on the date of such sale or disposition.

102 (c) (1) If a business, trade, profession or occupation is carried on
103 partly within and partly without this state, as determined under rules
104 or regulations of the commissioner, the items of income, gain, loss and
105 deduction derived from or connected with sources within this state
106 shall be determined by apportionment under such rules or regulations

107 and the provisions of this subsection.

108 (2) The proportion of the net amount of the items of income, gain,
109 loss and deduction attributable to the activities of the business, trade,
110 profession or occupation carried on in this state shall be determined by
111 multiplying the net amount of the items of income, gain, loss and
112 deduction of the business, trade, profession or occupation by the
113 average of the percentages of property, payroll and gross income in
114 this state. The gross income percentage shall be computed by dividing
115 the gross receipts from sales of property or services earned within this
116 state by the total gross receipts from sales of property or services,
117 whether earned within or without this state. Gross receipts from sales
118 of property are considered to be earned within this state when the
119 property is delivered or shipped to a purchaser within this state,
120 regardless of the F.O.B. point or other conditions of the sale. Gross
121 receipts from sales of services are considered to be earned within [the]
122 this state when the services are performed by an employee, agent,
123 agency or independent contractor chiefly situated at, connected by
124 contract or otherwise, with or sent out from, offices or branches of the
125 business, trade, profession or occupation or other agencies or locations
126 situated within this state.

127 (d) Compensation paid by the United States for active service in the
128 armed forces of the United States, performed by an individual not
129 domiciled in this state, shall not constitute income derived from
130 sources within this state.

131 (e) If a husband and wife determine their federal income tax on a
132 joint return but are required to determine their Connecticut income
133 taxes separately, they shall determine their incomes derived from or
134 connected with sources within this state separately as if their federal
135 adjusted gross incomes had been determined separately.

136 (f) Any nonresident, other than a dealer holding property primarily
137 for sale to customers in the ordinary course of his trade or business,
138 shall not be deemed to carry on a trade, business, profession or

139 occupation in this state solely by reason of the purchase or sale of
140 intangible property or the purchase, sale or writing of stock option
141 contracts, or both, for his own account.

142 Sec. 2. Subdivision (2) of subsection (b) of section 12-587 of the
143 general statutes is repealed and the following is substituted in lieu
144 thereof (*Effective from passage and applicable to first sales made on or after*
145 *December 1, 2015*):

146 (2) Gross earnings derived from the first sale of the following
147 petroleum products within this state shall be exempt from tax: (A) Any
148 petroleum products sold for exportation from this state for sale or use
149 outside this state; (B) the product designated by the American Society
150 for Testing and Materials as "Specification for Heating Oil D396-69",
151 commonly known as number 2 heating oil, to be used exclusively for
152 heating purposes or to be used in a commercial fishing vessel, which
153 vessel qualifies for an exemption pursuant to section 12-412; (C)
154 kerosene, commonly known as number 1 oil, to be used exclusively for
155 heating purposes, provided delivery is of both number 1 and number 2
156 oil, and via a truck with a metered delivery ticket to a residential
157 dwelling or to a centrally metered system serving a group of
158 residential dwellings; (D) the product identified as propane gas, to be
159 used [exclusively] primarily for heating purposes; (E) bunker fuel oil,
160 intermediate fuel, marine diesel oil and marine gas oil to be used in
161 any vessel (i) having a displacement exceeding four thousand dead
162 weight tons, or (ii) primarily engaged in interstate commerce; (F) for
163 any first sale occurring prior to July 1, 2008, propane gas to be used as
164 a fuel for a motor vehicle; (G) for any first sale occurring on or after
165 July 1, 2002, grade number 6 fuel oil, as defined in regulations adopted
166 pursuant to section 16a-22c, to be used exclusively by a company
167 which, in accordance with census data contained in the Standard
168 Industrial Classification Manual, United States Office of Management
169 and Budget, 1987 edition, is included in code classifications 2000 to
170 3999, inclusive, or in Sector 31, 32 or 33 in the North American
171 Industrial Classification System United States Manual, United States

172 Office of Management and Budget, 1997 edition; (H) for any first sale
173 occurring on or after July 1, 2002, number 2 heating oil to be used
174 exclusively in a vessel primarily engaged in interstate commerce,
175 which vessel qualifies for an exemption under section 12-412; (I) for
176 any first sale occurring on or after July 1, 2000, paraffin or
177 microcrystalline waxes; (J) for any first sale occurring prior to July 1,
178 2008, petroleum products to be used as a fuel for a fuel cell, as defined
179 in subdivision (113) of section 12-412; (K) a commercial heating oil
180 blend containing not less than ten per cent of alternative fuels derived
181 from agricultural produce, food waste, waste vegetable oil or
182 municipal solid waste, including, but not limited to, biodiesel or low
183 sulfur dyed diesel fuel; (L) for any first sale occurring on or after July 1,
184 2007, diesel fuel other than diesel fuel to be used in an electric
185 generating facility to generate electricity; (M) for any first sale
186 occurring on or after July 1, 2013, cosmetic grade mineral oil; or (N)
187 propane gas to be used as a fuel for a school bus.

188 Sec. 3. Section 12-217zz of the general statutes, as amended by
189 section 88 of public act 15-244, is repealed and the following is
190 substituted in lieu thereof (*Effective from passage*):

191 (a) Notwithstanding any other provision of law, and except as
192 otherwise provided in subsection (b) of this section, the amount of tax
193 credit or credits otherwise allowable against the tax imposed under
194 this chapter shall be as follows:

195 (1) For any income year commencing on or after January 1, 2002,
196 and prior to January 1, 2015, the amount of tax credit or credits
197 otherwise allowable shall not exceed seventy per cent of the amount of
198 tax due from such taxpayer under this chapter with respect to any such
199 income year of the taxpayer prior to the application of such credit or
200 credits;

201 (2) For any income year commencing on or after January 1, 2015, the
202 amount of tax credit or credits otherwise allowable shall not exceed
203 fifty and one one-hundredths per cent of the amount of tax due from

204 such taxpayer under this chapter with respect to any such income year
205 of the taxpayer prior to the application of such credit or credits.

206 (3) Notwithstanding the provisions of subdivision (2) of this
207 subsection, any taxpayer that possesses excess credits may utilize the
208 excess credits as follows:

209 (A) For income years commencing on or after January 1, 2016, and
210 prior to January 1, 2017, the aggregate amount of tax credits and excess
211 credits allowable shall not exceed fifty-five per cent of the amount of
212 tax due from such taxpayer under this chapter with respect to any such
213 income year of the taxpayer prior to the application of such credit or
214 credits;

215 (B) For income years commencing on or after January 1, 2017, and
216 prior to January 1, 2018, the aggregate amount of tax credits and excess
217 credits allowable shall not exceed sixty per cent of the amount of tax
218 due from such taxpayer under this chapter with respect to any such
219 income year of the taxpayer prior to the application of such credit or
220 credits;

221 (C) For income years commencing on or after January 1, 2018, and
222 prior to January 1, 2019, the aggregate amount of tax credits and excess
223 credits allowable shall not exceed sixty-five per cent of the amount of
224 tax due from such taxpayer under this chapter with respect to any such
225 income year of the taxpayer prior to the application of such credit or
226 credits;

227 (D) For income years commencing on or after January 1, 2019, the
228 aggregate amount of tax credits and excess credits allowable shall not
229 exceed seventy per cent of the amount of tax due from such taxpayer
230 under this chapter with respect to any such income year of the
231 taxpayer prior to the application of such credit or credits.

232 (4) For purposes of this subsection, "excess credits" means any
233 remaining credits available under section 12-217j, 12-217n or 32-9t after
234 tax credits are utilized in accordance with subdivision (2) of this

235 subsection.

236 (b) (1) For an income year commencing on or after January 1, 2011,
237 and prior to January 1, 2013, the amount of tax credit or credits
238 otherwise allowable against the tax imposed under this chapter for
239 such income year may exceed the amount specified in subsection (a) of
240 this section only by the amount computed under subparagraph (A) of
241 subdivision (2) of this subsection, provided in no event may the
242 amount of tax credit or credits otherwise allowable against the tax
243 imposed under this chapter for such income year exceed one hundred
244 per cent of the amount of tax due from such taxpayer under this
245 chapter with respect to such income year of the taxpayer prior to the
246 application of such credit or credits.

247 (2) (A) The taxpayer's average monthly net employee gain for an
248 income year shall be multiplied by six thousand dollars.

249 (B) The taxpayer's average monthly net employee gain for an
250 income year shall be computed as follows: For each month in the
251 taxpayer's income year, the taxpayer shall subtract from the number of
252 its employees in this state on the last day of such month the number of
253 its employees in this state on the first day of its income year. The
254 taxpayer shall total the differences for the twelve months in such
255 income year, and such total, when divided by twelve, shall be the
256 taxpayer's average monthly net employee gain for the income year. For
257 purposes of this computation, only employees who are required to
258 work at least thirty-five hours per week and only employees who were
259 not employed in this state by a related person, as defined in section 12-
260 217ii, within the twelve months prior to the first day of the income
261 year may be taken into account in computing the number of
262 employees.

263 (C) If the taxpayer's average monthly net employee gain is zero or
264 less than zero, the taxpayer may not exceed the seventy per cent limit
265 imposed under subsection (a) of this section.

266 Sec. 4. Subsection (c) of section 12-263b of the general statutes, as
267 amended by section 89 of public act 15-244, is repealed and the
268 following is substituted in lieu thereof (*Effective from passage and*
269 *applicable to calendar quarters commencing on or after January 1, 2016*):

270 (c) Notwithstanding any other provision of law, for each calendar
271 quarter commencing on or after July 1, 2015, and prior to January 1,
272 2016, the amount of tax credit or credits otherwise allowable against
273 the [tax imposed under this chapter] taxes imposed under sections 12-
274 263a to 12-263e, inclusive, and section 172 of public act 15-244, as
275 amended by public act 15-5 of the June special session, shall not exceed
276 fifty and one one-hundredths per cent of the amount of tax due [from
277 such hospital under this chapter] under sections 12-263a to 12-263e,
278 inclusive, and section 172 of public act 15-244, as amended by public
279 act 15-5 of the June special session, with respect to such calendar
280 quarter prior to the application of such credit or credits. For each
281 calendar quarter commencing on or after January 1, 2016, and prior to
282 January 1, 2017, the amount of tax credit or credits otherwise allowable
283 against the taxes imposed under sections 12-263a to 12-263e, inclusive,
284 and section 172 of public act 15-244, as amended by public act 15-5 of
285 the June special session, shall not exceed fifty-five per cent of the
286 amount of tax due under sections 12-263a to 12-263e, inclusive, and
287 section 172 of public act 15-244, as amended by public act 15-5 of the
288 June special session, with respect to such calendar quarter prior to the
289 application of such credit or credits. For each calendar quarter
290 commencing on or after January 1, 2017, and prior to January 1, 2018,
291 the amount of tax credit or credits otherwise allowable against the
292 taxes imposed under sections 12-263a to 12-263e, inclusive, and section
293 172 of public act 15-244, as amended by public act 15-5 of the June
294 special session, shall not exceed sixty per cent of the amount of tax due
295 under sections 12-263a to 12-263e, inclusive, and section 172 of public
296 act 15-244, as amended by public act 15-5 of the June special session,
297 with respect to such calendar quarter prior to the application of such
298 credit or credits. For each calendar quarter commencing on or after
299 January 1, 2018, and prior to January 1, 2019, the amount of tax credit

300 or credits otherwise allowable against the taxes imposed under
301 sections 12-263a to 12-263e, inclusive, and section 172 of public act 15-
302 244, as amended by public act 15-5 of the June special session, shall not
303 exceed sixty-five per cent of the amount of tax due under sections 12-
304 263a to 12-263e, inclusive, and section 172 of public act 15-244, as
305 amended by public act 15-5 of the June special session, with respect to
306 such calendar quarter prior to the application of such credit or credits.
307 For each calendar quarter commencing on or after January 1, 2019, the
308 amount of tax credit or credits otherwise allowable against the taxes
309 imposed under sections 12-263a to 12-263e, inclusive, and section 172
310 of public act 15-244, as amended by public act 15-5 of the June special
311 session, shall not exceed seventy per cent of the amount of tax due
312 under sections 12-263a to 12-263e, inclusive, and section 172 of public
313 act 15-244, as amended by public act 15-5 of the June special session,
314 with respect to such calendar quarter prior to the application of such
315 credit or credits.

316 Sec. 5. Section 139 of public act 15-244, as amended by sections 139,
317 142 and 143 of public act 15-5 of the June special session, is repealed
318 and the following is substituted in lieu thereof (*Effective January 1, 2016,*
319 *and applicable to income years commencing on or after said date*):

320 (a) For purposes of this section, section 140 of [this act] public act 15-
321 244 and chapter 208 of the general statutes, the combined group's net
322 income shall be the aggregate net income or loss of each taxable
323 member and nontaxable member of the combined group derived from
324 a unitary business, which shall be determined as follows:

325 (1) For any member incorporated in the United States, included in a
326 consolidated federal corporate income tax return and filing a federal
327 corporate income tax return, the income to be included in calculating
328 the combined group's net income shall be such member's gross
329 income, less the deductions provided under section 12-217 of the
330 general statutes, as amended by [this act] public act 15-244, as if the
331 member were not consolidated for federal tax purposes.

332 (2) For any member not included in a consolidated federal corporate
333 income tax return but required to file its own federal corporate income
334 tax return, the income to be included in calculating the combined
335 group's net income shall be such member's gross income, less the
336 deductions provided under section 12-217 of the general statutes, as
337 amended by [this act] public act 15-244, public act 15-5 of June special
338 session and this act.

339 (3) For any member not incorporated in the United States, not
340 included in a consolidated federal corporate income tax return and not
341 required to file its own federal corporate income tax return, the income
342 to be included in the combined group's net income shall be determined
343 from a profit and loss statement that shall be prepared for each foreign
344 branch or corporation in the currency in which the books of account of
345 the branch or corporation are regularly maintained, adjusted to
346 conform it to the accounting principles generally accepted in the
347 United States for the presentation of such statements and further
348 adjusted to take into account any book-tax differences required by
349 federal or Connecticut law. The profit and loss statement of each such
350 member of the combined group and the apportionment factors related
351 thereto, whether United States or foreign, shall be translated into or
352 from the currency in which the parent company maintains its books
353 and records on any reasonable basis consistently applied on a year-to-
354 year or entity-by-entity basis. Income shall be expressed in United
355 States dollars. In lieu of these procedures and subject to the
356 determination of the commissioner that the income to be reported
357 reasonably approximates income as determined under chapter 208 of
358 the general statutes and sections 139 to 141, inclusive, of public act 15-
359 244, as amended by public act 15-5 of the June special session, income
360 may be determined on any reasonable basis consistently applied on a
361 year-to-year or entity-by-entity basis.

362 (4) (A) If the unitary business has income from an entity that is
363 treated as a pass-through entity, the combined group's net income
364 shall include its member's direct and indirect distributive share of the

365 pass-through entity's unitary business income.

366 (B) The distributive share of income received by a limited partner
367 from an investment partnership shall not be considered to be derived
368 from a unitary business unless the general partner of such investment
369 partnership and such limited partner have common ownership. To the
370 extent that the limited partner is otherwise carrying on or doing
371 business in Connecticut, it shall apportion its distributive share of
372 income from an investment partnership in accordance with
373 subdivision (2) of subsection (g) of section 12-218 of the general
374 statutes, as amended by this act. If the limited partner is not otherwise
375 carrying on or doing business in Connecticut, its distributive share of
376 income from an investment partnership is not subject to tax under this
377 chapter.

378 (5) All dividends paid by one member to another member of the
379 combined group shall be eliminated from the income of the recipient.

380 (6) [Except as otherwise provided by regulation, business income
381 from an intercompany transaction among members of the same
382 combined group shall be deferred in a manner similar to the deferral
383 under 26 CFR 1.1502-13.] The principles set forth in the Treasury
384 regulations promulgated under Section 1502 of the Internal Revenue
385 Code, including the principles relating to deferrals, eliminations, and
386 exclusions, shall apply to the extent consistent with the Connecticut
387 combined group membership and combined unitary reporting
388 principles. Upon the occurrence of either of the following events,
389 deferred business income resulting from an intercompany transaction
390 among members of a combined group shall be restored to the income
391 of the seller and shall be included in the combined group's net income
392 as if the seller had earned the income immediately before the event:

393 (A) The object of a deferred intercompany transaction is: (i) Resold
394 by the buyer to an entity that is not a member of the combined group,
395 (ii) resold by the buyer to an entity that is a member of the combined
396 group for use outside the unitary business in which the buyer and

397 seller are engaged, or (iii) converted by the buyer to a use outside the
398 unitary business in which the buyer and seller are engaged; or

399 (B) The buyer and seller are no longer members of the same
400 combined group, regardless of whether the members remain unitary.

401 (7) A charitable expense incurred by a member of a combined group
402 shall, to the extent allowable as a deduction pursuant to Section 170 of
403 the Internal Revenue Code, be subtracted first from the combined
404 group's net income, subject to the income limitations of said section
405 applied to the entire business income of the group. Any charitable
406 deduction disallowed under the foregoing rule, but allowed as a
407 carryover deduction in a subsequent year, shall be treated as originally
408 incurred in the subsequent year by the same member and the rules of
409 this section shall apply in the subsequent year in determining the
410 allowable deduction for that year.

411 (8) Gain or loss from the sale or exchange of capital assets, property
412 described by Section 1231(a)(3) of the Internal Revenue Code and
413 property subject to an involuntary conversion shall be removed from
414 the net income of each member of a combined group and shall be
415 included in the combined group's net income as follows:

416 (A) For each class of gain or loss, whether short-term capital, long-
417 term capital, Section 1231 of the Internal Revenue Code gain or loss, or
418 gain or loss from involuntary conversions, all members' business gain
419 and loss for the class shall be combined, without netting among such
420 classes, and each class of net business gain or loss shall be apportioned
421 to each member under subsection (b) of this section; and

422 (B) Any resulting income or loss apportioned to this state, as long as
423 the loss is not subject to the limitations of Section 1211 of the Internal
424 Revenue Code, of a taxable member produced by the application of
425 subparagraph (A) of this subdivision shall then be applied to all other
426 income or loss of that member apportioned to this state. Any resulting
427 loss of a member apportioned to this state that is subject to the

428 limitations of said Section 1211 shall be carried forward by that
429 member and shall be treated as short-term capital loss apportioned to
430 this state and incurred by that member for the year for which the
431 carryover applies.

432 (9) Any expense of any member of the combined group that is
433 directly or indirectly attributable to the income of any member of the
434 combined group, which income this state is prohibited from taxing
435 pursuant to the laws or Constitution of the United States, shall be
436 disallowed as a deduction for purposes of determining the combined
437 group's net income.

438 (b) A taxable member of a combined group shall determine its
439 apportionment percentage as follows:

440 (1) Each taxable member shall determine its apportionment
441 percentage based on the otherwise applicable apportionment formula
442 provided in chapter 208 of the general statutes and sections 139 to 141,
443 inclusive, of public act 15-244, as amended by public act 15-5 of the
444 June special session. In computing its denominators for all factors, the
445 taxable member shall use the combined group's denominator for that
446 factor. In computing the numerator of its receipts factor, each taxable
447 member shall add to such numerator its share of receipts of nontaxable
448 members assignable to this state, as provided in subdivision (3) of this
449 subsection.

450 (2) The combined group shall determine its property and payroll
451 factor denominators using the factors from all members, whether or
452 not a member would otherwise apportion its income using such
453 property and payroll factors.

454 (3) Receipts assignable to this state of each nontaxable member shall
455 be determined based upon the apportionment formula that would be
456 applicable to such member if it were a taxable member and shall be
457 aggregated. Each taxable member of the combined group shall include
458 in the numerator of its receipts factor a portion of the aggregate

459 receipts assignable to this state of nontaxable members based on a
460 ratio, the numerator of which is such taxable member's receipts
461 assignable to this state, without regard to this subsection, and the
462 denominator of which is the aggregate receipts assignable to this state
463 of all the taxable members of the combined group, without regard to
464 this subsection.

465 (4) In determining the numerator and denominator of the
466 apportionment factors of taxable members, transactions between or
467 among members of such combined group shall be eliminated.

468 (5) If any member of a combined group required to file a combined
469 unitary tax return pursuant to section 12-222 of the general statutes, as
470 amended by [this act] public act 15-244, is taxable without this state, or
471 is a financial service company, as defined in section 12-218b of the
472 general statutes, as amended by this act, each taxable member shall be
473 entitled to apportion its net income in accordance with this section.

474 (c) To calculate each taxable member's net income or loss
475 apportioned to this state, each taxable member shall apply its
476 apportionment percentage, as determined pursuant to subsection (b) of
477 this section, to the combined group's net income.

478 (d) After calculating its net income or loss apportioned to this state,
479 pursuant to subsection (c) of this section, each taxable member of a
480 combined group required to file a combined unitary tax return
481 pursuant to section 12-222 of the general statutes, as amended by
482 public act 15-244 and [this act] public act 15-5 of the June special
483 session, may deduct a net operating loss from its net income
484 apportioned to this state as follows:

485 (1) For income years beginning on or after January 1, 2016, if the
486 computation of a combined group's net income results in a net
487 operating loss, a taxable member of such group may carry over its net
488 loss apportioned to this state, as calculated under subsection (c) of this
489 section, derived from the unitary business in a future income year to

490 the extent that the carryover and deduction is otherwise consistent
491 with subparagraph (A) of subdivision (4) of subsection (a) of section
492 12-217 of the general statutes, as amended by public act 15-244 and this
493 act. Any taxable member that has more than one operating loss
494 carryover shall apply the carryovers in the order that the operating
495 loss was incurred, with the oldest carryover to be deducted first.

496 (2) Where a taxable member of a combined group has an operating
497 loss carryover derived from a loss incurred by a combined group in an
498 income year beginning on or after January 1, 2016, then the taxable
499 member may share the operating loss carryover with other taxable
500 members of the combined group if such other taxable members were
501 members of the combined group in the income year that the loss was
502 incurred. Any amount of operating loss carryover that is deducted by
503 another taxable member of the combined group shall reduce the
504 amount of operating loss carryover that may be carried over by the
505 taxable member that originally incurred the loss.

506 (3) Where a taxable member of a combined group has an operating
507 loss carryover derived from a loss incurred in an income year
508 beginning prior to January 1, 2016, or derived from an income year
509 during which the taxable member was not a member of such combined
510 group, the carryover shall remain available to be deducted by that
511 taxable member or other group members that, in the year the loss was
512 incurred, were part of the same combined group as such taxable
513 member under section 12-223a of the general statutes, as amended by
514 public act 15-244 and [this act] public act 15-5 of the June special
515 session, or same unitary group as such taxable member under
516 subsection (d) of section 12-218d of the general statutes, revision of
517 1958, revised to January 1, 2015. Such carryover shall not be deductible
518 by any other members of the combined group.

519 (e) Each taxable member shall multiply its income or loss
520 apportioned to this state, as calculated under subsection (c) of this
521 section and as further modified by subsection (d) of this section, by the
522 tax rate set forth in section 12-214 of the general statutes, as amended

523 by [this act] public act 15-244.

524 (f) The additional tax base of taxable and nontaxable members of a
525 combined group required to file a combined unitary tax return
526 pursuant to section 12-222 of the general statutes, as amended by [this
527 act] public act 15-244, shall be calculated as follows:

528 (1) Except as otherwise provided in subdivision (2) of this
529 subsection, members of the combined group shall calculate the
530 combined group's additional tax base by aggregating their separate
531 additional tax bases under subsection (a) of section 12-219 of the
532 general statutes, provided (A) intercorporate stockholdings in the
533 combined group shall be eliminated, [and provided] (B) no deduction
534 shall be allowed under subparagraph (B)(ii) of subdivision (1) of
535 subsection (a) of section 12-219 of the general statutes, for such
536 intercorporate stockholdings, and (C) assets and liabilities attributable
537 to transactions with another member of the combined group,
538 including, but not limited to, a financial service company, as defined in
539 section 12-218b of the general statutes, as amended by this act, shall be
540 eliminated. In calculating the combined group's additional tax base,
541 the separate additional tax bases of nontaxable members shall be
542 included, as if those nontaxable members were taxable members. The
543 amount calculated under this subdivision shall be apportioned to those
544 members pursuant to subdivision (1) of subsection (g) of this section.

545 (2) [Taxable members] Members of the combined group that are
546 financial service companies, as defined in section 12-218b of the
547 general statutes, as amended by [this act] public act 15-244 and this act,
548 [shall calculate their additional tax liability under subsection (d) of
549 section 12-219 of the general statutes and] shall not be included in the
550 calculation of the combined group's additional tax base set forth in
551 subdivision (1) of this subsection. Financial service companies that are
552 taxable members shall calculate their additional tax liability under
553 subsection (d) of section 12-219 of the general statutes.

554 (g) A taxable member of a combined group required to file a

555 combined unitary tax return pursuant to section 12-222 of the general
556 statutes, as amended by [this act] public act 15-244, shall determine its
557 apportionment percentage under section 12-219a of the general
558 statutes, as amended by [this act] public act 15-244, as follows:

559 (1) A taxable member whose separate additional tax base is
560 included in the calculation of the combined group's additional tax base
561 under subdivision (1) of subsection (f) of this section shall apportion
562 the combined group's additional tax base using the otherwise
563 applicable apportionment formula provided in section 12-219a of the
564 general statutes, as amended by [this act] public act 15-244. However,
565 the denominator of such apportionment fraction shall be the sum of
566 subdivisions (1) and (2) of subsection (a) of said section 12-219a for all
567 members whose separate additional tax bases are included in the
568 calculation of the combined group's additional tax base under
569 subdivision (1) of subsection (f) of this section. The numerator of such
570 apportionment fraction shall be the sum of subparagraph (A) of
571 subdivision (1) of subsection (a) of said section 12-219a and
572 subparagraph (A) of subdivision (2) of subsection (a) of said section 12-
573 219a for such taxable member.

574 (2) Taxable members of the combined group that are financial
575 service companies, as defined in section 12-218b of the general statutes,
576 as amended by [this act] public act 15-244 and this act, shall each have
577 an additional tax liability as described in subdivision (2) of subsection
578 (h) of this section.

579 (h) (1) A taxable member whose separate additional tax base is
580 included in the calculation of the combined group's additional tax base
581 under subdivision (1) of subsection (f) of this section shall multiply the
582 combined group's additional tax base, as calculated under subdivision
583 (1) of subsection (f) of this section, by such member's apportionment
584 fraction determined in subdivision (1) of subsection (g) of this section,
585 by the tax rate set forth in subsection (a) of section 12-219 of the
586 general statutes. In no event shall the aggregate tax so calculated for all
587 members of the combined group exceed one million dollars, nor shall a

588 tax credit allowed against the tax imposed by [this] chapter 208 of the
589 general statutes and sections 139 to 141, inclusive, of public act 15-244
590 reduce a taxable member's tax calculated under this subsection to an
591 amount less than two hundred fifty dollars.

592 (2) Taxable members of the combined group that are financial
593 service companies, as defined in section 12-218b of the general statutes,
594 as amended by [this act] public act 15-244 and this act, shall each have
595 an additional tax liability of two hundred fifty dollars. In no event
596 shall a tax credit allowed against the tax imposed by chapter 208 of the
597 general statutes and sections 139 to 141, inclusive, of public act 15-244
598 reduce a financial service company's tax calculated under this
599 subsection to an amount less than two hundred fifty dollars.

600 (3) To the extent that the aggregate amount of tax calculated on each
601 taxable member's additional tax base exceeds one million dollars, each
602 taxable member will prorate its tax, in proportion to the group's tax
603 calculated without regard to the one-million-dollar cap, such that the
604 group's aggregate additional tax equals one million dollars.

605 (i) If the aggregate amount of tax calculated on each taxable
606 member's apportioned net income under subsection (e) of this section
607 equals or exceeds the aggregate amount of tax calculated on each
608 taxable member's apportioned additional tax base under subsection (h)
609 of this section, each taxable member shall be subject to tax on its net
610 income. If the aggregate amount of tax calculated on each taxable
611 member's apportioned additional tax base under subsection (h) of this
612 section exceeds the aggregate amount of tax calculated on each taxable
613 member's apportioned net income under subsection (e) of this section,
614 each taxable member shall be subject to tax on its additional tax base.

615 (j) (1) Each taxable member of a combined group required to file a
616 combined unitary tax return pursuant to section 12-222 of the general
617 statutes, as amended by public act 15-244 and [this act] public act 15-5
618 of the June special session, shall separately apply the provisions of
619 sections 12-217ee and 12-217zz of the general statutes, as amended by

620 public act 15-244 and this act, in determining the amount of tax credit
621 available to such member.

622 (2) If a taxable member of a combined group earns a tax credit in an
623 income year beginning on or after January 1, 2016, then the taxable
624 member may share the credit with other taxable members of the
625 combined group. Any amount of credit that is utilized by another
626 taxable member of the combined group shall reduce the amount of
627 credit carryover that may be carried over by the taxable member that
628 originally earned the credit. If a taxable member of a combined group
629 has a tax credit carryover derived from an income year beginning on
630 or after January 1, 2016, then the taxable member may share the
631 carryover credit with other taxable members of the combined group, if
632 such other taxable members were members of the combined group in
633 the income year in which the credit was earned.

634 (3) If a taxable member of a combined group has a tax credit
635 carryover derived from an income year beginning prior to January 1,
636 2016, or derived from an income year during which the taxable
637 member was not a member of such combined group, the credit
638 carryover shall remain available to be utilized by such taxable member
639 or other group members which, in the year the credit was earned, were
640 part of the same combined group as such taxable member under
641 section 12-223a of the general statutes, as amended by public act 15-244
642 and [this act] public act 15-5 of the June special session, or the same
643 unitary group as such taxable member under subsection (d) of section
644 12-218d of the general statutes, revision of 1958, revised to January 1,
645 2015.

646 (4) To the extent a taxable member has more than one corporation
647 business tax credit that it may utilize in an income year, whether such
648 credits were earned by said member or are available to said member in
649 accordance with subdivisions (2) and (3) of this subsection, the credits
650 shall be claimed in the same order as provided in section 12-217aa of
651 the general statutes.

652 (k) (1) In no event shall the tax calculated for a combined group on a
653 combined unitary basis, prior to surtax and application of credits,
654 exceed the nexus combined base tax described in subdivision (2) of this
655 subsection by more than two million five hundred thousand dollars.

656 (2) (A) The nexus combined base tax equals the tax measured on the
657 sum of the separate net income or loss of each taxable member or the
658 minimum tax base of each taxable member as if such members were
659 not required to file a combined unitary tax return, but only to the
660 extent that such income, loss or minimum tax base of any taxable
661 member is separately apportioned to Connecticut in accordance with
662 the applicable provisions of section 12-218 of the general statutes, as
663 amended by this act, 12-218b of the general statutes, as amended by
664 this act, 12-219a of the general statutes or 12-244 of the general statutes.
665 In computing such net income or loss, intercorporate dividends shall
666 be eliminated, and in computing the combined additional tax base,
667 intercorporate stockholdings shall be eliminated.

668 (B) In computing such net income or loss, any intangible expenses
669 and costs, as defined in section 12-218c of the general statutes, any
670 interest expenses and costs, as defined in section 12-218c of the general
671 statutes, and any income attributable to such intangible expenses and
672 costs or to such interest expenses and costs shall be eliminated,
673 provided the corporation that is required to make adjustments under
674 section 12-218c of the general statutes for such intangible expenses and
675 costs or for such interest expenses and costs, and the related member
676 or members, as defined in section 12-218c of the general statutes, are
677 both taxable members of the combined group. If any such income and
678 any such expenses and costs are eliminated as provided in this
679 subparagraph, the intangible property, as defined in section 12-218c of
680 the general statutes, of the corporation eliminating such income shall
681 not be taken into account in apportioning under the provisions of
682 section 12-219a of the general statutes the tax calculated under
683 subsection (a) of section 12-219 of the general statutes of such
684 corporation.

685 (C) In computing the apportionment fraction under this
686 subdivision:

687 (i) Intercompany rents shall not be included in the computation of
688 the value of property rented if the lessor and lessee are both taxable
689 members in the combined unitary tax return; and

690 (ii) Intercompany business receipts, receipts by a taxable member
691 included in a combined unitary tax return from any other taxable
692 member included in such return, shall not be included.

693 Sec. 6. Subsections (a) and (b) of section 140 of public act 15-244, as
694 amended by sections 139 and 144 of public act 15-5 of the June special
695 session, are repealed and the following is substituted in lieu thereof
696 *(Effective January 1, 2016, and applicable to income years commencing on or*
697 *after said date):*

698 (a) For purposes of this section, "affiliated group" means an
699 affiliated group as defined in Section 1504 of the Internal Revenue
700 Code, except such affiliated group shall include all domestic
701 corporations that are commonly owned, directly or indirectly, by any
702 member of such affiliated group, without regard to whether the
703 affiliated group includes (1) corporations included in more than one
704 federal consolidated return, (2) corporations engaged in one or more
705 unitary businesses, or (3) corporations that are not engaged in a
706 unitary business with any other member of the affiliated group. Such
707 affiliated group shall also include any member of the combined group,
708 determined on a world-wide basis, incorporated in a tax haven as
709 determined by the commissioner in accordance with subdivision [(5)]
710 (4) of subsection (b) of this section, unless it is proven to the
711 satisfaction of the commissioner that such member is incorporated in a
712 tax haven for a legitimate business purpose.

713 (b) The designated taxable member of a combined group may elect
714 to have the combined group determined on a world-wide basis or an
715 affiliated group basis. If no such election is made, the combined group

716 shall be determined on a water's-edge basis and will include only
717 taxable members and those nontaxable members described in any one
718 or more of the categories set forth in subdivisions (1) to ~~[(4)]~~ (3),
719 inclusive, of this subsection:

720 (1) Any member incorporated in the United States, or formed under
721 the laws of the United States, any state, the District of Columbia, or
722 any territory or possession of the United States, excluding such a
723 member if eighty per cent or more of both its property and payroll
724 during the income year are located outside the United States, the
725 District of Columbia, and any territory or possession of the United
726 States;

727 (2) Any member, wherever incorporated or formed, if twenty per
728 cent or more of both its property and payroll during the income year
729 are located in the United States, the District of Columbia, or any
730 territory or possession of the United States; or

731 ~~[(3)]~~ (3) Any member that earns more than twenty per cent of its gross
732 income, directly or indirectly, from intangible property or service-
733 related activities, the costs of which generally are deductible for federal
734 income tax purposes, whether currently or over a period of time,
735 against the income of other members of the group, but only to the
736 extent of that income and the apportionment factors related thereto; or]

737 ~~[(4)]~~ (3) Any member that is incorporated in a jurisdiction that is
738 determined by the commissioner to be a tax haven as that term is
739 defined in subdivision ~~[(5)]~~ (4) of this subsection, unless it is proven to
740 the satisfaction of the commissioner that such member is incorporated
741 in a tax haven for a legitimate business purpose.

742 ~~[(5)]~~ (4) For purposes of subsection (a) of this section and
743 subdivision ~~[(4)]~~ (3) of this subsection, "tax haven" means a jurisdiction
744 that (A) has laws or practices that prevent effective exchange of
745 information for tax purposes with other governments on taxpayers
746 benefiting from the tax regime; (B) has a tax regime which lacks

747 transparency; (C) facilitates the establishment of foreign-owned
748 entities without the need for a local substantive presence or prohibits
749 these entities from having any commercial impact on the local
750 economy; (D) explicitly or implicitly excludes the jurisdiction's
751 resident taxpayers from taking advantage of the tax regime benefits or
752 prohibits enterprises that benefit from the regime from operating in the
753 jurisdiction's domestic market; or (E) has created a tax regime which is
754 favorable for tax avoidance, based upon an overall assessment of
755 relevant factors, including whether the jurisdiction has a significant
756 untaxed offshore financial or services sector relative to its overall
757 economy. [Not later than September 30, 2016, the commissioner shall
758 publish a list of jurisdictions that the commissioner determines to be
759 tax havens. The list shall be applicable to income years commencing on
760 or after January 1, 2016, and shall remain in effect until superseded by
761 the publication of a revised list by the commissioner.] "Tax haven"
762 does not include a jurisdiction that has entered into a comprehensive
763 income tax treaty with the United States, which the Secretary of the
764 Treasury has determined is satisfactory for purposes of Section
765 1(h)(11)(C)(i)(II) of the Internal Revenue Code.

766 Sec. 7. Subdivision (4) of subsection (a) of section 12-217 of the
767 general statutes, as amended by section 87 of public act 15-244 and
768 section 482 of public act 15-5 of the June special session, is repealed
769 and the following is substituted in lieu thereof (*Effective from passage*):

770 (4) Notwithstanding any provision of this section to the contrary,
771 (A) any excess of the deductions provided in this section for any
772 income year commencing on or after January 1, 1973, over the gross
773 income for such year or the amount of such excess apportioned to this
774 state under the provisions of [section 12-218, as amended by this act]
775 this chapter and sections 139 to 141, inclusive, of public act 15-244, as
776 amended by public act 15-5 of the June special session, shall be an
777 operating loss of such income year and shall be deductible as an
778 operating loss carry-over for operating losses incurred prior to income
779 years commencing January 1, 2000, in each of the five income years

780 following such loss year, and for operating losses incurred in income
781 years commencing on or after January 1, 2000, in each of the twenty
782 income years following such loss year, except that (i) for income years
783 commencing prior to January 1, 2015, the portion of such operating
784 loss which may be deducted as an operating loss carry-over in any
785 income year following such loss year shall be limited to the lesser of (I)
786 any net income greater than zero of such income year following such
787 loss year, or in the case of a company entitled to apportion its net
788 income under the provisions of [section 12-218, as amended by this act]
789 this chapter and sections 139 to 141, inclusive, of public act 15-244, as
790 amended by public act 15-5 of the June special session, the amount of
791 such net income which is apportioned to this state pursuant thereto, or
792 (II) the excess, if any, of such operating loss over the total of such net
793 income for each of any prior income years following such loss year,
794 such net income of each of such prior income years following such loss
795 year for such purposes being computed without regard to any
796 operating loss carry-over from such loss year allowed under this
797 subparagraph and being regarded as not less than zero, and provided
798 further the operating loss of any income year shall be deducted in any
799 subsequent year, to the extent available for such deduction, before the
800 operating loss of any subsequent income year is deducted, (ii) for
801 income years commencing on or after January 1, 2015, the portion of
802 such operating loss which may be deducted as an operating loss carry-
803 over in any income year following such loss year shall be limited to the
804 lesser of (I) fifty per cent of net income of such income year following
805 such loss year, or in the case of a company entitled to apportion its net
806 income under the provisions of [section 12-218, as amended by this act]
807 this chapter and sections 139 to 141, inclusive, of public act 15-244, as
808 amended by public act 15-5 of the June special session, fifty per cent of
809 such net income which is apportioned to this state pursuant thereto, or
810 (II) the excess, if any, of such operating loss over the operating loss
811 deductions allowable with respect to such operating loss under this
812 subparagraph for each of any prior income years following such loss
813 year, such net income of each of such prior income years following
814 such loss year for such purposes being computed without regard to

815 any operating loss carry-over from such loss year allowed under this
816 subparagraph and being regarded as not less than zero, and provided
817 further the operating loss of any income year shall be deducted in any
818 subsequent year, to the extent available for such deduction, before the
819 operating loss of any subsequent income year is deducted, and (iii) if a
820 combined group so elects, [the operating loss carry-over of said
821 combined group, shall be limited to] the combined group shall
822 relinquish fifty per cent of its unused operating losses incurred prior to
823 the income year commencing on or after January 1, 2015, and before
824 January 1, 2016, and may utilize the remaining operating loss carry-
825 over without regard to the limitations prescribed in subparagraph
826 (A)(ii) of this subdivision. The portion of such operating loss carry-
827 over that may be deducted shall be limited to [net income greater than
828 zero] the amount required to reduce a combined group's tax under this
829 chapter and sections 139 to 141, inclusive, of public act 15-244, as
830 amended by public act 15-5 of the June special session, prior to surtax
831 and prior to the application of credits, to two million five hundred
832 thousand dollars in any income year commencing on or after January
833 1, [2017] 2015. Only after the combined group's remaining operating
834 loss carry-over for operating losses incurred prior to income years
835 commencing January 1, 2015, has been fully utilized, will the
836 limitations prescribed in subparagraph (A)(ii) of this subdivision
837 apply. The combined group, or any member thereof, shall make such
838 election on its return for the income year beginning on or after January
839 1, 2015, and before January 1, 2016, by the due date for such return,
840 including any extensions. Only combined groups with unused
841 operating losses in excess of six billion dollars from income years
842 beginning prior to January 1, 2013, may make the election prescribed
843 in this clause, and (B) any net capital loss, as defined in the Internal
844 Revenue Code effective and in force on the last day of the income year,
845 for any income year commencing on or after January 1, 1973, shall be
846 allowed as a capital loss carry-over to reduce, but not below zero, any
847 net capital gain, as so defined, in each of the five following income
848 years, in order of sequence, to the extent not exhausted by the net
849 capital gain of any of the preceding of such five following income

850 years, and (C) any net capital losses allowed and carried forward from
851 prior years to income years beginning on or after January 1, 1973, for
852 federal income tax purposes by companies entitled to a deduction for
853 dividends paid under the Internal Revenue Code other than
854 companies subject to the gross earnings taxes imposed under chapters
855 211 and 212, shall be allowed as a capital loss carry-over.

856 Sec. 8. Section 12-216a of the general statutes is repealed and the
857 following is substituted in lieu thereof (*Effective from passage*):

858 (a) Any company that derives income from sources within this state
859 and that has a substantial economic presence within this state,
860 evidenced by a purposeful direction of business toward this state,
861 examined in light of the frequency, quantity and systematic nature of a
862 company's economic contacts with this state, without regard to
863 physical presence, and to the extent permitted by the Constitution of
864 the United States, shall be liable for the tax imposed under this
865 chapter. Such company shall apportion its net income under the
866 provisions of this chapter.

867 (b) (1) The provisions of subsection (a) of this section shall not apply
868 to any company that is treated as a foreign corporation under the
869 Internal Revenue Code and has no income effectively connected with a
870 United States trade or business.

871 (2) To the extent that a company that is treated as a foreign
872 corporation under the Internal Revenue Code has income effectively
873 connected with a United States trade or business, such company's
874 gross income, notwithstanding any provision of this chapter and
875 sections 139 to 141, inclusive, of public act 15-244, as amended by
876 public act 15-5 of the June special session and this act, shall be its
877 income effectively connected with its United States trade or business.
878 For net income tax apportionment purposes, only property used in,
879 payroll attributable to and receipts effectively connected with such
880 company's United States trade or business shall be considered for
881 purposes of calculating such company's apportionment fraction.

882 "Income effectively connected with a United States trade or business"
883 shall be determined in accordance with the provisions of the Internal
884 Revenue Code. The provisions of this subdivision shall not apply to a
885 foreign corporation that is included in a combined group that files a
886 combined unitary tax return.

887 Sec. 9. Section 12-218 of the general statutes, as amended by section
888 149 of public act 15-244 and section 139 of public act 15-5 of the June
889 special session, is repealed and the following is substituted in lieu
890 thereof (*Effective January 1, 2016, and applicable to income years*
891 *commencing on or after January 1, 2016*):

892 (a) Any taxpayer which is taxable both within and without this state
893 shall apportion its net income as provided in this section. For purposes
894 of apportionment of income under this section, a taxpayer is taxable in
895 another state if in such state such taxpayer conducts business and is
896 subject to a net income tax, a franchise tax for the privilege of doing
897 business, or a corporate stock tax, or if such state has jurisdiction to
898 subject such taxpayer to such a tax, regardless of whether such state
899 does, in fact, impose such a tax.

900 [(b) The net income of the taxpayer, when derived from business
901 other than the manufacture, sale or use of tangible personal or real
902 property, shall be apportioned within and without the state by means
903 of an apportionment fraction, the numerator of which shall represent
904 the gross receipts from business carried on within Connecticut and the
905 denominator shall represent the gross receipts from business carried
906 on everywhere, except that any gross receipts attributable to an
907 international banking facility, as defined in section 12-217, shall not be
908 included in the numerator or the denominator. Gross receipts as used
909 in this subsection has the same meaning as used in subdivision (3) of
910 subsection (c) of this section.]

911 [(c)] (b) Except as otherwise provided in [subsection (k) or (l) of this
912 section] this chapter and sections 139 to 141, inclusive, of public act 15-
913 244, on and after January 1, 2016, the net income of the taxpayer [when

914 derived from the manufacture, sale or use of tangible personal or real
915 property,] shall be apportioned within and without the state by means
916 of an apportionment fraction. [, to be computed as the sum of the
917 property factor, the payroll factor and twice the receipts factor, divided
918 by four. (1) The first of these fractions, the property factor, shall
919 represent that part of the average monthly net book value of the total
920 tangible property held and owned by the taxpayer during the income
921 year which is held within the state, without deduction on account of
922 any encumbrance thereon, and the value of tangible property rented to
923 the taxpayer computed by multiplying the gross rents payable during
924 the income year or period by eight. For the purpose of this section,
925 gross rents shall be the actual sum of money or other consideration
926 payable, directly or indirectly, by the taxpayer or for its benefit for the
927 use or possession of the property, excluding royalties, but including
928 interest, taxes, insurance, repairs or any other amount required to be
929 paid by the terms of a lease or other arrangement and a proportionate
930 part of the cost of any improvement to the real property made by or on
931 behalf of the taxpayer which reverts to the owner or lessor upon
932 termination of a lease or other arrangement, based on the unexpired
933 term of the lease commencing with the date the improvement is
934 completed, provided, where a building is erected on leased land by or
935 on behalf of the taxpayer, the value of the land is determined by
936 multiplying the gross rent by eight, and the value of the building is
937 determined in the same manner as if owned by the taxpayer. (2) The
938 second fraction, the payroll factor, shall represent the part of the total
939 wages, salaries and other compensation to employees paid by the
940 taxpayer during the income year which was paid in this state,
941 excluding any such wages, salaries or other compensation attributable
942 to the production of gross income of an international banking facility
943 as defined in section 12-217. Compensation is paid in this state if (A)
944 the individual's service is performed entirely within the state; or (B)
945 the individual's service is performed both within and without the state,
946 but the service performed without the state is incidental to the
947 individual's service within the state; or (C) some of the service is
948 performed in the state and (i) the base of operations or, if there is no

949 base of operations, the place from which the service is directed or
950 controlled is in the state, or (ii) the base of operations or the place from
951 which the service is directed or controlled is not in any state in which
952 some part of the service is performed, but the individual's residence is
953 in this state. (3) The third fraction, the receipts factor,] The
954 apportionment fraction shall represent the part of the taxpayer's gross
955 receipts from sales or other sources during the income year, computed
956 according to the method of accounting used in the computation of its
957 entire net income, which is assignable to the state, and excluding any
958 gross receipts attributable to an international banking facility as
959 defined in section 12-217, as amended by [this act] public act 15-244
960 and this act, but including receipts from sales of tangible property if
961 the property is delivered or shipped to a purchaser within this state,
962 other than a company which qualifies as a Domestic International Sales
963 Corporation (DISC) as defined in Section 992 of the Internal Revenue
964 Code of 1986, or any subsequent corresponding internal revenue code
965 of the United States, as from time to time amended, and as to which a
966 valid election under Subsection (b) of said Section 992 to be treated as a
967 DISC is effective, regardless of the f.o.b. point or other conditions of
968 the sale, receipts from services performed within the state, rentals and
969 royalties from properties situated within the state, royalties from the
970 use of patents or copyrights within the state, interest managed or
971 controlled within the state, net gains from the sale or other disposition
972 of intangible assets managed or controlled within the state, net gains
973 from the sale or other disposition of tangible assets situated within the
974 state and all other receipts earned within the state.

975 [(d)] (c) Any motor bus company which is taxable both within and
976 without this state shall apportion its net income derived from carrying
977 of passengers for hire by means of an apportionment fraction, the
978 numerator of which shall represent the total number of miles operated
979 within this state and the denominator of which shall represent the total
980 number of miles operated everywhere, but income derived by motor
981 bus companies from sources other than the carrying of passengers for
982 hire shall be apportioned as herein otherwise provided.

983 [(e)] (d) Any motor carrier which transports property for hire and
984 which is taxable both within and without this state shall apportion its
985 net income derived from carrying of property for hire by means of an
986 apportionment fraction, the numerator of which shall represent the
987 total number of miles operated within this state and the denominator
988 of which shall represent the total number of miles operated
989 everywhere, but income derived by motor carriers from sources other
990 than the carrying of property for hire shall be apportioned as herein
991 otherwise provided.

992 [(f)] (e) (1) Each taxpayer that provides management, distribution or
993 administrative services, as defined in this subsection, to or on behalf of
994 a regulated investment company, as defined in Section 851 of the
995 Internal Revenue Code shall apportion its net income derived, directly
996 or indirectly, from providing management, distribution or
997 administrative services to or on behalf of a regulated investment
998 company, including net income received directly or indirectly from
999 trustees, and sponsors or participants of employee benefit plans which
1000 have accounts in a regulated investment company, in the manner
1001 provided in this subsection. Income derived by such taxpayer from
1002 sources other than the providing of management, distribution or
1003 administrative services to or on behalf of a regulated investment
1004 company shall be apportioned as provided in this chapter.

1005 (2) The numerator of the apportionment fraction shall consist of the
1006 sum of the Connecticut receipts, as described in subdivision (3) of this
1007 subsection. The denominator of the apportionment fraction shall
1008 consist of the total receipts from the sale of management, distribution
1009 or administrative services to or on behalf of all the regulated
1010 investment companies. For purposes of this subsection, "receipts"
1011 means receipts computed according to the method of accounting used
1012 by the taxpayer in the computation of net income.

1013 (3) For purposes of this subsection, Connecticut receipts shall be
1014 determined by multiplying receipts from the rendering of
1015 management, distribution or administrative services to or on behalf of

1016 each separate regulated investment company by a fraction (A) the
1017 numerator of which shall be the average of (i) the number of shares on
1018 the first day of such regulated investment company's taxable year, for
1019 federal income tax purposes, which ends within or at the same time as
1020 the taxable year of the taxpayer, that are owned by shareholders of
1021 such regulated investment company then domiciled in this state and
1022 (ii) the number of shares on the last day of such regulated investment
1023 company's taxable year, for federal income tax purposes, which ends
1024 within or at the same time as the taxable year of the taxpayer, that are
1025 owned by shareholders of such regulated investment company then
1026 domiciled in this state; and (B) the denominator of which shall be the
1027 average of the number of shares that are owned by shareholders of
1028 such regulated investment company on such dates.

1029 (4) (A) For purposes of this subsection, "management services"
1030 includes, but is not limited to, the rendering of investment advice
1031 directly or indirectly to a regulated investment company, making
1032 determinations as to when sales and purchases of securities are to be
1033 made on behalf of the regulated investment company, or the selling or
1034 purchasing of securities constituting assets of a regulated investment
1035 company, and related activities, but only where such activity or
1036 activities are performed (i) pursuant to a contract with the regulated
1037 investment company entered into pursuant to 15 USC 80a-15(a), as
1038 from time to time amended, (ii) for a person that has entered into such
1039 contract with the regulated investment company, or (iii) for a person
1040 that is affiliated with a person that has entered into such contract with
1041 a regulated investment company.

1042 (B) For purposes of this subsection, "distribution services" includes,
1043 but is not limited to, the services of advertising, servicing, marketing
1044 or selling shares of a regulated investment company, but, in the case of
1045 advertising, servicing or marketing shares, only where such service is
1046 performed by a person that is, or, in the case of a closed end company,
1047 was, either engaged in the service of selling such shares or affiliated
1048 with a person that is engaged in the service of selling such shares. In

1049 the case of an open end company, such service of selling shares shall
1050 be performed pursuant to a contract entered into pursuant to 15 USC
1051 80a-15(b), as from time to time amended.

1052 (C) For purposes of this subsection, "administrative services"
1053 includes, but is not limited to, clerical, fund or shareholder accounting,
1054 participant record keeping, transfer agency, bookkeeping, data
1055 processing, custodial, internal auditing, legal and tax services
1056 performed for a regulated investment company but only if the
1057 provider of such service or services during the income year in which
1058 such service or services are provided also provides, or is affiliated with
1059 a person that provides, management or distribution services to such
1060 regulated investment company.

1061 (D) For purposes of this subsection, a person is "affiliated" with
1062 another person if each person is a member of the same affiliated group,
1063 as defined under Section 1504 of the Internal Revenue Code without
1064 regard to subsection (b) of said section.

1065 (E) For purposes of this subsection, the domicile of a shareholder
1066 shall be presumed to be such shareholder's mailing address as shown
1067 in the records of the regulated investment company except that for
1068 purposes of this subsection, if the shareholder of record is an insurance
1069 company which holds the shares of the regulated investment company
1070 as depositor for the benefit of a separate account, then the taxpayer
1071 may elect to treat as the shareholders the contract owners or
1072 policyholders of the contracts or policies supported by such separate
1073 account. An election made under this subparagraph shall apply to all
1074 shareholders that are insurance companies and shall be irrevocable for,
1075 and applicable for, five successive income years. In any year that such
1076 an election is applicable, it shall be presumed that the domicile of a
1077 shareholder is the mailing address of the contract owner or
1078 policyholder as shown in the records of the insurance company.

1079 [(g)] (f) (1) Each taxpayer that provides securities brokerage
1080 services, as defined in this subsection, shall apportion its net income

1081 derived, directly or indirectly, from rendering securities brokerage
1082 services in the manner provided in this subsection. Income derived by
1083 such taxpayer from sources other than the rendering of securities
1084 brokerage services shall be apportioned as provided in this chapter.

1085 (2) The numerator of the apportionment fraction shall consist of the
1086 brokerage commissions and total margin interest paid on behalf of
1087 brokerage accounts owned by the taxpayer's customers who are
1088 domiciled in this state during such taxpayer's income year, computed
1089 according to the method of accounting used in the computation of net
1090 income. The denominator of the apportionment fraction shall consist of
1091 brokerage commissions and total margin interest paid on behalf of
1092 brokerage accounts owned by all of the taxpayer's customers,
1093 wherever domiciled, during such taxpayer's income year, computed
1094 according to the method of accounting used in the computation of net
1095 income.

1096 (3) For purposes of this subsection:

1097 (A) "Security brokerage services" means services and activities
1098 including all aspects of the purchasing and selling of securities
1099 rendered by a broker, as defined in 15 USC 78c(a)(4) and registered
1100 under the provisions of 15 USC 78a to 78kk, inclusive, as from time to
1101 time amended, to effectuate transactions in securities for the account of
1102 others, and a dealer, as defined in 15 USC 78c(a)(5) and registered
1103 under the provisions of 15 USC 78a to 78kk, inclusive, as from time to
1104 time amended, to buy and sell securities, through a broker or
1105 otherwise. Security brokerage services shall not include services
1106 rendered by any person buying or selling securities for such person's
1107 own account, either individually or in some fiduciary capacity, but not
1108 as part of a regular business carried on by such person.

1109 (B) "Securities" means security, as defined in 15 USC 78c(a)(10), as
1110 from time to time amended.

1111 (C) "Brokerage commission" means all compensation received for

1112 effecting purchases and sales for the account or on order of others,
1113 whether in a principal or agency transaction, and whether charged
1114 explicitly or implicitly as a fee, commission, spread, markup or
1115 otherwise.

1116 (4) For purposes of this subsection, the domicile of a customer shall
1117 be presumed to be such customer's mailing address as shown in the
1118 records of the taxpayer.

1119 [(h)] (g) (1) Any company that is (A) a limited partner in a
1120 partnership, other than an investment partnership, that does business,
1121 owns or leases property or maintains an office within this state and (B)
1122 not otherwise carrying on or doing business in this state shall pay the
1123 tax imposed under section 12-214 as amended by [this act] public act
1124 15-244, solely on its distributive share as a partner of the income or loss
1125 of such partnership to the extent such income or loss is derived from or
1126 connected with sources within this state, except that, if the
1127 commissioner determines that the company and the partnership are, in
1128 substance, parts of a unitary business engaged in a single business
1129 enterprise or if the company is a member of a combined group that
1130 files a combined unitary tax return, the company shall be taxed in
1131 accordance with the provisions of subdivision (3) of this subsection
1132 and not in accordance with the provisions of this subdivision,
1133 provided, in lieu of the payment of tax based solely on its distributive
1134 share, such company may elect for any particular income year, on or
1135 before the due date or, if applicable the extended due date, of its
1136 corporation business tax return for such income year, to apportion its
1137 net income within and without the state under the provisions of this
1138 chapter.

1139 (2) Any company that is (A) a limited partner (i) in an investment
1140 partnership or (ii) in a limited partnership, other than an investment
1141 partnership, that does business, owns or leases property or maintains
1142 an office within this state and (B) otherwise carrying on or doing
1143 business in this state shall apportion its net income, including its
1144 distributive share as a partner of such partnership income or loss,

1145 within and without the state under the provisions of this chapter,
1146 except that the numerator and the denominator of its [payroll factor,
1147 property factor, and receipts factor] apportionment fraction shall
1148 include its proportionate part, as a partner, of the numerator and the
1149 denominator of such partnership's [payroll factor, property factor and
1150 receipts factor, respectively] apportionment fraction. For purposes of
1151 this section, such partnership shall compute its apportionment fraction
1152 and the numerator and the denominator of its [payroll factor, property
1153 factor and receipts factor,] apportionment fraction as if it were a
1154 company taxable both within and without this state.

1155 (3) Any company that is a general partner in a partnership that does
1156 business, owns or leases property or maintains an office within this
1157 state shall, whether or not it is otherwise carrying on or doing business
1158 in this state, apportion its net income, including its distributive share
1159 as a partner of such partnership income or loss, within and without the
1160 state under the provisions of this chapter, except that the numerator
1161 and the denominator of its [payroll factor, property factor and receipts
1162 factor] apportionment fraction shall include its proportionate part, as a
1163 partner, of the numerator and the denominator of such partnership's
1164 [payroll factor, property factor and receipts factor, respectively]
1165 apportionment fraction. For purposes of this section, such partnership
1166 shall compute its apportionment fraction and the numerator and the
1167 denominator of its [payroll factor, property factor and receipts factor,]
1168 apportionment fraction as if it were a company taxable both within
1169 and without this state.

1170 [(i)] (h) The provisions of this section shall not apply to insurance
1171 companies.

1172 [(j)] (i) (1) Any financial service company as defined in section 12-
1173 218b, as amended by [this act] public act 15-244, that has net income
1174 derived from credit card activities, as defined in this subsection, shall
1175 apportion its net income derived from credit card activities in the
1176 manner provided in this subsection. Income derived by such taxpayer
1177 from sources other than credit card activities shall be apportioned as

1178 provided in this chapter.

1179 (2) The numerator of the apportionment fraction shall consist of the
1180 Connecticut receipts, as described in subdivision (3) of this subsection.
1181 The denominator of the apportionment fraction shall consist of (A) the
1182 total amount of interest and fees or penalties in the nature of interest
1183 from credit card receivables, (B) receipts from fees charged to card
1184 holders, including, but not limited to, annual fees, irrespective of the
1185 billing address of the card holder, (C) net gains from the sale of credit
1186 card receivables, irrespective of the billing address of the card holder,
1187 and (D) all credit card issuer's reimbursement fees, irrespective of the
1188 billing address of the card holder.

1189 (3) For purposes of this subsection, "Connecticut receipts" shall be
1190 determined by adding (A) interest and fees or penalties in the nature of
1191 interest from credit card receivables and receipts from fees charged to
1192 card holders, including, but not limited to, annual fees, where the
1193 billing address of the card holder is in this state and (B) the product of
1194 (i) the sum of net gains from the sale of credit card receivables and all
1195 credit card issuer's reimbursement fees multiplied by (ii) a fraction, the
1196 numerator of which shall be interest and fees or penalties in the nature
1197 of interest from credit card receivables and receipts from fees charged
1198 to card holders, including, but not limited to, annual fees, where the
1199 billing address of the card holder is in this state, and the denominator
1200 of which shall be the total amount of interest and fees or penalties in
1201 the nature of interest from credit card receivables and receipts from
1202 fees charged to card holders, including, but not limited to, annual fees,
1203 irrespective of the billing address of the card holder.

1204 (4) For purposes of this subsection:

1205 (A) "Credit card" means a credit, travel, or entertainment card;

1206 (B) "Receipts" means receipts computed according to the method of
1207 accounting used by the taxpayer in the computation of net income;

1208 (C) "Credit card issuer's reimbursement fee" means the fee that a

1209 taxpayer receives from a merchant's bank because one of the persons
1210 to whom the taxpayer or a related person, as defined in section 12-
1211 218b, as amended by [this act] public act 15-244, has issued a credit
1212 card has charged merchandise or services to the credit card;

1213 (D) "Net income derived from credit card activities" means (i)
1214 interest and fees or penalties in the nature of interest from credit card
1215 receivables and receipts from fees charged to card holders, including,
1216 but not limited to, annual fees, net gains from the sale of credit card
1217 receivables, credit card issuer's reimbursement fees, and credit card
1218 receivables servicing fees received in connection with credit cards
1219 issued by the taxpayer or a related person, as defined in section 12-
1220 218b, as amended by [this act] public act 15-244, less (ii) expenses
1221 related to such income, to the extent deductible under this chapter;

1222 (E) "Billing address" shall be presumed to be the location indicated
1223 in the books and records of the taxpayer as the address where any
1224 notice, statement or bill relating to a card holder is to be mailed, as of
1225 the date of such mailing; and

1226 (F) "Credit card activities" means those activities involving the
1227 underwriting and approval of credit card relationships or other
1228 business activities generally associated with the conduct of business by
1229 an issuer of credit cards from which it derives income.

1230 (5) The Commissioner of Revenue Services may adopt regulations,
1231 in accordance with chapter 54, to permit a financial service company
1232 that is an owner of a financial asset securitization investment trust, as
1233 defined in Section 860H(a) of the Internal Revenue Code, to elect to
1234 apportion its share of the net income from credit card activities carried
1235 on by such trust, and to provide rules for apportioning such share of
1236 net income that are consistent with this subsection.

1237 [(k)] (j) (1) For income years commencing on or after January 1, 2001,
1238 the net income of a taxpayer which is primarily engaged in activities
1239 that, in accordance with the North American Industrial Classification

1240 System, United States Manual, United States Office of Management
1241 and Budget, 1997 edition, would be included in Sector 31, 32 or 33,
1242 shall be apportioned within and without the state by means of the
1243 apportionment fraction described in subdivision (2) of this subsection
1244 provided, in the income year commencing on January 1, 2001, each
1245 such taxpayer shall not take such apportionment fraction into account
1246 for purposes of installment payments on estimated tax under section
1247 12-242d, as amended by [this act] public act 15-244, for calendar
1248 quarters ending prior to July 1, 2001, but shall make such payments in
1249 accordance with the apportionment fraction applicable to the income
1250 year commencing January 1, 2000.

1251 (2) The [numerator of the apportionment fraction shall consist of the
1252 taxpayer's gross receipts, as described in subdivision (3) of subsection
1253 (c) of this section, which are assignable to the state, as provided in
1254 subdivision (3) of subsection (c) of this section. The denominator of the
1255 apportionment fraction shall consist of the taxpayer's total gross
1256 receipts, as described in subdivision (3) of subsection (c) of this section,
1257 whether or not assignable to the state] apportionment fraction of a
1258 taxpayer described in subdivision (1) of this subsection shall be the
1259 apportionment fraction calculated under subsection (b) of this section.

1260 (3) (A) Any taxpayer which is described in subdivision (1) of this
1261 subsection and seventy-five per cent or more of whose total gross
1262 receipts, as described in [subdivision (3) of subsection (c)] subsection
1263 (b) of this section, during the income year are from the sale of tangible
1264 personal property directly, or in the case of a subcontractor, indirectly,
1265 to the United States government may elect, on or before the due date
1266 or, if applicable, the extended due date, of its corporation business tax
1267 return for the income year, to apportion its net income within and
1268 without the state by means of the apportionment fraction described in
1269 [subsection (c) of this section] subparagraph (B) of this subdivision.
1270 The election, if made by the taxpayer, shall be irrevocable for, and
1271 applicable for, five successive income years.

1272 (B) The net income of the taxpayer making an election under

1273 subdivision (3) of subparagraph (A) of this subsection shall be
1274 apportioned within and without the state by means of an
1275 apportionment fraction, to be computed as the sum of the property
1276 factor, the payroll factor and twice the receipts factor, divided by four.
1277 (i) The first of these fractions, the property factor, shall represent that
1278 part of the average monthly net book value of the total tangible
1279 property held and owned by the taxpayer during the income year
1280 which is held within the state, without deduction on account of any
1281 encumbrance thereon, and the value of tangible property rented to the
1282 taxpayer computed by multiplying the gross rents payable during the
1283 income year or period by eight. For the purpose of this section, gross
1284 rents shall be the actual sum of money or other consideration payable,
1285 directly or indirectly, by the taxpayer or for its benefit for the use or
1286 possession of the property, excluding royalties, but including interest,
1287 taxes, insurance, repairs or any other amount required to be paid by
1288 the terms of a lease or other arrangement and a proportionate part of
1289 the cost of any improvement to the real property made by or on behalf
1290 of the taxpayer which reverts to the owner or lessor upon termination
1291 of a lease or other arrangement, based on the unexpired term of the
1292 lease commencing with the date the improvement is completed,
1293 provided, where a building is erected on leased land by or on behalf of
1294 the taxpayer, the value of the land is determined by multiplying the
1295 gross rent by eight, and the value of the building is determined in the
1296 same manner as if owned by the taxpayer. (ii) The second fraction, the
1297 payroll factor, shall represent the part of the total wages, salaries and
1298 other compensation to employees paid by the taxpayer during the
1299 income year which was paid in this state, excluding any such wages,
1300 salaries or other compensation attributable to the production of gross
1301 income of an international banking facility as defined in section 12-217,
1302 as amended by this act. Compensation is paid in this state if (I) the
1303 individual's service is performed entirely within the state; or (II) the
1304 individual's service is performed both within and without the state,
1305 but the service performed without the state is incidental to the
1306 individual's service within the state; or (III) some of the service is
1307 performed in the state and the base of operations or, if there is no base

1308 of operations, the place from which the service is directed or controlled
1309 is in the state, or the base of operations or the place from which the
1310 service is directed or controlled is not in any state in which some part
1311 of the service is performed, but the individual's residence is in this
1312 state. (iii) The third fraction, the receipts factor, shall represent the part
1313 of the taxpayer's gross receipts from sales or other sources during the
1314 income year, computed according to the method of accounting used in
1315 the computation of its entire net income, which is assignable to the
1316 state, and excluding any gross receipts attributable to an international
1317 banking facility as defined in section 12-217, as amended by this act,
1318 but including receipts from sales of tangible property if the property is
1319 delivered or shipped to a purchaser within this state, other than a
1320 company which qualifies as a Domestic International Sales
1321 Corporation (DISC) as defined in Section 992 of the Internal Revenue
1322 Code of 1986, or any subsequent corresponding internal revenue code
1323 of the United States, as from time to time amended, and as to which a
1324 valid election under Subsection (b) of said Section 992 to be treated as a
1325 DISC is effective, regardless of the f.o.b. point or other conditions of
1326 the sale, receipts from services performed within the state, rentals and
1327 royalties from properties situated within the state, royalties from the
1328 use of patents or copyrights within the state, interest managed or
1329 controlled within the state, net gains from the sale or other disposition
1330 of intangible assets managed or controlled within the state, net gains
1331 from the sale or other disposition of tangible assets situated within the
1332 state and all other receipts earned within the state.

1333 [(l)] (k) (1) For income years commencing on or after October 1,
1334 2001, any broadcaster which is taxable both within and without this
1335 state shall apportion its net income derived from the broadcast of
1336 video or audio programming, whether through the public airwaves, by
1337 cable, by direct or indirect satellite transmission or by any other means
1338 of communication, through an over-the-air television or radio network,
1339 through a television or radio station or through a cable network or
1340 cable television system and, if such broadcaster is a cable network, all
1341 net income derived from activities related to or arising out of the

1342 foregoing, including, but not limited to, broadcasting, entertainment,
1343 publishing, whether electronically or in print, electronic commerce and
1344 licensing of intellectual property created in the pursuit of such
1345 activities, by means of the apportionment fraction described in
1346 subdivision (3) of this subsection, and any eligible production entity
1347 which is taxable both within and without this state shall apportion its
1348 net income derived from video or audio programming production
1349 services by means of the apportionment fraction described in
1350 subdivision (4) of this subsection.

1351 (2) For purposes of this subsection:

1352 (A) "Video or audio programming" means any and all
1353 performances, events or productions, including without limitation
1354 news, sporting events, plays, stories and other entertainment, literary,
1355 commercial, educational or artistic works, telecast or otherwise made
1356 available for video or audio exhibition through live transmission or
1357 through the use of video tape, disc or any other type of format or
1358 medium;

1359 (B) A "subscriber" to a cable television system is an individual
1360 residence or other outlet which is the ultimate recipient of the
1361 transmission;

1362 (C) "Telecast" or "broadcast" means the transmission of video or
1363 audio programming by an electronic or other signal conducted by
1364 radiowaves or microwaves, by wires, lines, coaxial cables, wave guides
1365 or fiber optics, by satellite transmissions directly or indirectly to
1366 viewers or listeners or by any other means of communication;

1367 (D) "Eligible production entity" means a corporation which provides
1368 video or audio programming production services and which is
1369 affiliated, within the meaning of Sections 1501 to 1504 of the Internal
1370 Revenue Code and the regulations promulgated thereunder, with a
1371 broadcaster;

1372 (E) "Release" or "in release" means the placing of video or audio

1373 programming into service. A video or audio program is placed into
1374 service when it is first broadcast to the primary audience for which the
1375 program was created. For example, video programming is placed in
1376 service when it is first publicly telecast for entertainment, educational,
1377 commercial, artistic or other purpose. Each episode of a television or
1378 radio series is placed in service when it is first broadcast; and

1379 (F) "Broadcaster" means a corporation that is engaged in the
1380 business of broadcasting video or audio programming, whether
1381 through the public airwaves, by cable, by direct or indirect satellite
1382 transmission or by any other means of communication, through an
1383 over-the-air television or radio network, through a television or radio
1384 station or through a cable network or cable television system, and that
1385 is primarily engaged in activities that, in accordance with the North
1386 American Industry Classification System, United States Manual, 1997
1387 edition, are included in industry group 5131 or 5132.

1388 (3) (A) Except as provided in subparagraph (B) of this subdivision
1389 with respect to the determination of the apportionment fraction for net
1390 income derived from the activities referred to in subdivision (1) of
1391 subsection [(l)] (k) of this section, the numerator of the apportionment
1392 fraction for a broadcaster shall consist of the broadcaster's gross
1393 receipts, as described in [subdivision (3) of subsection (c)] subsection
1394 (b) of this section, which are assignable to the state, as provided in
1395 [subdivision (3) of subsection (c)] subsection (b) of this section. Except
1396 as provided in subparagraph (C) of this subdivision with respect to the
1397 determination of the apportionment fraction for the net income
1398 derived from the activities referred to in subdivision (1) of subsection
1399 [(l)] (k) of this section, the denominator of the apportionment fraction
1400 for a broadcaster shall consist of the broadcaster's total gross receipts,
1401 as described in [subdivision (3) of subsection (c)] subsection (b) of this
1402 section, whether or not assignable to the state.

1403 (B) The numerator of the apportionment fraction for a broadcaster
1404 shall include the gross receipts of the taxpayer from sources within this
1405 state determined as follows:

1406 (i) Gross receipts, including without limitation, advertising revenue,
1407 affiliate fees and subscriber fees, received by a broadcaster from video
1408 or audio programming in release to or by a broadcaster for telecast
1409 which is attributed to this state.

1410 (ii) Gross receipts, including without limitation, advertising
1411 revenue, received by an over-the-air television or radio network or a
1412 television or radio station from video or audio programming in release
1413 to or by such network or station for telecast shall be attributed to this
1414 state in the same ratio that the audience for such over-the-air network
1415 or station located in this state bears to the total audience for such over-
1416 the-air network or station inside and outside of the United States. For
1417 purposes of this subparagraph, the audience shall be determined either
1418 by reference to the books and records of the taxpayer or by reference to
1419 the applicable year's published rating statistics, provided the method
1420 used by the taxpayer is consistently used from year to year for such
1421 purpose and fairly represents the taxpayer's activity in the state.

1422 (iii) Gross receipts including, without limitation, advertising
1423 revenue, affiliate fees and subscriber fees, received by a cable network
1424 or a cable television system from video or audio programming in
1425 release to or by such cable network or cable television system for
1426 telecast and other receipts that are derived from the activities referred
1427 to in subdivision (1) of this subsection shall be attributed to this state in
1428 the same ratio that the number of subscribers for such cable network or
1429 cable television system located in this state bears to the total of such
1430 subscribers of such cable network or cable television system inside and
1431 outside of the United States. For purpose of this subparagraph, the
1432 number of subscribers of a cable network shall be measured by
1433 reference to the number of subscribers of cable television systems that
1434 are affiliated with such network and that receive video or audio
1435 programming of such network. For purposes of this subparagraph, the
1436 number of subscribers of a cable television system shall be determined
1437 either by reference to the books and records of the taxpayer or by
1438 reference to the applicable year's published rating statistics located in

1439 published surveys, provided the method used by the taxpayer is
1440 consistently used from year to year for such purpose and fairly
1441 represents the taxpayer's activities in the state.

1442 (C) The denominator of the apportionment fraction of a broadcaster
1443 shall include gross receipts of the broadcaster that are derived from the
1444 activities referred to in subdivision (1) of subsection [(l)] (k) of this
1445 section, whether or not assignable to the state.

1446 (4) (A) Except as provided in subparagraph (B) of this subdivision,
1447 with respect to the determination of the apportionment fraction for net
1448 income derived from video or audio programming production
1449 services, the numerator of the apportionment fraction for an eligible
1450 production entity shall consist of the eligible production entity's gross
1451 receipts, as described in [subdivision (3) of subsection (c)] subsection
1452 (b) of this section, which are assignable to the state, as provided in
1453 [subdivision (3) of subsection (c)] subsection (b) of this section. Except
1454 as provided in subparagraph (C) of this subdivision, with respect to
1455 the determination of the apportionment fraction for net income
1456 derived from video or audio programming production services, the
1457 denominator of the apportionment fraction for an eligible production
1458 entity shall consist of the eligible production entity's total gross
1459 receipts, as described in [subdivision (3) of subsection (c)] subsection
1460 (b) of this section, whether or not assignable to the state.

1461 (B) The numerator of the apportionment fraction for an eligible
1462 production entity shall include gross receipts of the entity that are
1463 derived from video or audio programming production services
1464 relating to events which occur within this state.

1465 (C) The denominator of the apportionment fraction for an eligible
1466 production entity shall include gross receipts of the entity that are
1467 derived from video or audio programming production services
1468 relating to events which occur within or without this state.

1469 [(m)] (l) Each taxable member of a combined group required to file a

1470 combined unitary tax return pursuant to section 12-222, as amended
1471 by [this act] public act 15-244, shall, if one or more members of such
1472 group are taxable without this state, apportion its net income as
1473 provided in subsections (b) and (c) of section 139 of [this act] public act
1474 15-244.

1475 Sec. 10. Section 12-217o of the general statutes is repealed and the
1476 following is substituted in lieu thereof (*Effective January 1, 2016*):

1477 There shall be allowed as a credit against the tax imposed on any
1478 corporation under this chapter with respect to any taxable year of such
1479 corporation commencing on or after January 1, 1997, (1) that has more
1480 than two hundred fifty full-time, permanent employees but not more
1481 than eight hundred full-time, permanent employees whose wages,
1482 salaries or other compensation is paid in this state, as the phrase is
1483 used in subsection [(c)] (b) of section 12-218, as amended by this act, an
1484 amount equal to five per cent of the amount spent by the corporation
1485 on machinery and equipment acquired for and installed in a facility in
1486 this state, which amount exceeds the amount spent by such
1487 corporation during the preceding income year of the corporation for
1488 such expenditures or (2) that has not more than two hundred fifty
1489 full-time, permanent employees whose wages, salaries or other
1490 compensation is paid in this state, as the phrase is used in subsection
1491 [(c)] (b) of section 12-218, as amended by this act, an amount equal to
1492 ten per cent of the amount spent by the corporation on machinery and
1493 equipment acquired for and installed in a facility in this state, which
1494 amount exceeds the amount spent by such corporation during the
1495 preceding income year of the corporation for such expenditures. In
1496 addition, any amount spent (1) by a corporation whose income year,
1497 for federal income tax purposes, commences on the first day of
1498 January, February, March, April or May, (2) on machinery and
1499 equipment acquired for and installed in a facility in this state, (3)
1500 during that portion of its income year in 1995 that expired on May 31,
1501 1995, shall be deemed to have been spent during its income year
1502 commencing in 1997 and shall be added to any amount actually spent

1503 on machinery and equipment acquired for and installed in a facility in
1504 this state during its income year commencing in 1997, provided the
1505 credit percentage to which such corporation shall be entitled for its
1506 income year commencing in 1997 shall be based on the number of
1507 full-time, permanent employees during its income year commencing in
1508 1997.

1509 Sec. 11. Subparagraph (J) of subdivision (6) of subsection (a) of
1510 section 12-218b of the general statutes is repealed and the following is
1511 substituted in lieu thereof (*Effective January 1, 2016*):

1512 (J) (i) Any company, other than an insurance company or a real
1513 estate broker, which derives fifty per cent or more of its gross income
1514 from one or more of the following sources or activities: Loans; letters of
1515 credit and acceptance of drafts; underwriting, purchase, placement,
1516 sale or brokerage of securities, commodities contracts or other financial
1517 instruments or contracts on its own account or for the account of
1518 others; exchanges, exchange clearinghouses and other services allied
1519 with the exchange of securities or commodities contracts; investment
1520 advisory or management services; investment banking services,
1521 corporate trust and escrow services; securities information processing;
1522 securities and financial rating agency services; transfer agent, clearing
1523 agent, securities custodial and depository services; securities exchange
1524 or quotation services; any of the services described in subsection [(f)]
1525 (e) of section 12-218, as amended by this act; any of the services
1526 described in subsection [(g)] (f) of section 12-218, as amended by this
1527 act; management, distribution or administrative services to or on
1528 behalf of an investment entity; management, distribution or
1529 administrative services to or on behalf of pension funds or retirement
1530 accounts; leasing or acting as an agent, broker or adviser in connection
1531 with leasing real and personal property that is the functional
1532 equivalent of an extension of credit and that transfers substantially all
1533 of the benefits and risks incident to the ownership of property,
1534 including any direct financing lease or leverage lease that meets the
1535 criteria of Financial Accounting Standards Board Statement No. 13,

1536 "Accounting for Leases" or any other lease that is accounted for as a
1537 financing by a lessor under generally accepted accounting principles;
1538 activities of a Morris plan company; credit card activities; third party
1539 insurance administration services, claim administration services, claim
1540 adjusting services, premium billing and collection services, or
1541 employee benefit plan administration services; insurance underwriting
1542 or policy issuance services; actuarial services; trust company services;
1543 financial planning services; insurance brokerage services; or risk
1544 management services;

1545 Sec. 12. Subsection (k) of section 12-218b of the general statutes is
1546 repealed and the following is substituted in lieu thereof (*Effective*
1547 *January 1, 2016*):

1548 (k) This section shall not apply to net income from services or
1549 activities described in subsection [(f), (g) or (j)] (e), (f) or (i) of section
1550 12-218, as amended by this act, which income shall be apportioned in
1551 accordance with said subsection [(f), (g) or (j)] (e), (f) or (i), whether or
1552 not the taxpayer is taxable outside this state, or, for income years
1553 commencing prior to January 1, 2002, in the case of net income from
1554 activities described in said subsection [(j)] (i) that is earned by a
1555 taxpayer that is either not eligible to make the election described in
1556 said subsection [(j)] (i) or does not make the election described in said
1557 subsection [(j)] (i) which income shall be apportioned in accordance
1558 with subsection (b) of said section 12-218, as amended by this act.

1559 Sec. 13. Subsection (a) of section 12-219b of the general statutes is
1560 repealed and the following is substituted in lieu thereof (*Effective*
1561 *January 1, 2016*):

1562 (a) With respect to the taxation under this chapter in income years
1563 commencing on or after January 1, 1996, of a company's distributive
1564 share as a partner of partnership income or loss in all partnerships in
1565 which it is or may become a partner, a company may, on or before the
1566 due date, or, if applicable, the extended due date, of its corporation
1567 business tax return for its income year beginning during 1996, make an

election, on its corporation business tax return for such income year, not to have the provisions of subsection [(e)] (g) of section 12-218, as amended by this act, and subsection (b) of section 12-219a apply. Except as otherwise provided by subsection (b) of this section, the election shall be irrevocable.

Sec. 14. Subdivision (27) of subsection (a) of section 12-407 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2016*):

(27) "Community antenna television service" means (A) the one-way transmission to subscribers of video programming or information by cable, fiber optics, satellite, microwave or any other means, and subscriber interaction, if any, which is required for the selection of such video programming or information, and (B) noncable communications service, as defined in section 16-1, unless such noncable communications service is purchased by a cable network as that term is used in subsection [(l)] (k) of section 12-218, as amended by this act.

Sec. 15. Section 52-557q of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2016*):

No claim for damages shall be made against a broadcaster, as defined in subsection [(l)] (k) of section 12-218, as amended by this act, or an outdoor advertising establishment, as described in the United States Department of Labor Standard Industrial Classification System Code 7312, that, pursuant to a voluntary program between broadcasters and law enforcement agencies, or between law enforcement agencies and outdoor advertising establishments, broadcasts or disseminates an emergency alert and information provided by a law enforcement agency concerning the abduction of a child, including, but not limited to, a description of the abducted child, a description of the suspected abductor and the circumstances of the abduction. Nothing in this section shall be construed to (1) limit or restrict in any way any legal protection a broadcaster or outdoor

1600 advertising establishment may have under any other law for
 1601 broadcasting, outdoor advertising or otherwise disseminating any
 1602 information, or (2) relieve a law enforcement agency from acting
 1603 reasonably in providing information to the broadcaster or outdoor
 1604 advertising establishment.

1605 Sec. 16. Section 12-412k of the general statutes is repealed. (*Effective*
 1606 *January 1, 2016, and applicable to sales occurring on or after said date*)"

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2016</i>	12-711
Sec. 2	<i>from passage and applicable to first sales made on or after December 1, 2015</i>	12-587(b)(2)
Sec. 3	<i>from passage</i>	12-217zz
Sec. 4	<i>from passage and applicable to calendar quarters commencing on or after January 1, 2016</i>	12-263b(c)
Sec. 5	<i>January 1, 2016, and applicable to income years commencing on or after said date</i>	PA 15-244, Sec. 139
Sec. 6	<i>January 1, 2016, and applicable to income years commencing on or after said date</i>	PA 15-244, Sec. 140(a) and (b)
Sec. 7	<i>from passage</i>	12-217(a)(4)
Sec. 8	<i>from passage</i>	12-216a
Sec. 9	<i>January 1, 2016, and applicable to income years commencing on or after January 1, 2016</i>	12-218
Sec. 10	<i>January 1, 2016</i>	12-217o
Sec. 11	<i>January 1, 2016</i>	12-218b(a)(6)(J)

Sec. 12	<i>January 1, 2016</i>	12-218b(k)
Sec. 13	<i>January 1, 2016</i>	12-219b(a)
Sec. 14	<i>January 1, 2016</i>	12-407(a)(27)
Sec. 15	<i>January 1, 2016</i>	52-557q
Sec. 16	<i>January 1, 2016, and applicable to sales occurring on or after said date</i>	Repealer section